O 111601 0-35721 S 92-2277

92 19 9055

SECURITIES AND EXCHANGE COMMISSION

RECD S.E.C. JUL 14 1992 137

Washington, D.C. 20549

RECD S.E.C. AUG 7 1992 37

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR QUARTER ENDED May 31, 1992

Commission File # 1-9004

A.J. ROSS LOGISTICS, INC.

(Exact name of registrant as specified in its charter)

NEW JERSEY	22-2094249
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Bayview Avenue, Keasbey, New Jersey (Address of principal executive offices)	08832 (Zip code)

Registrant's telephone number, including area code (908) 738-4800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES x NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 10, 1992
Common stock, par value $.001	13,193,778

12-12C PROCESSED BY AUG 10 1992 Microfilmed by Q-Data Corp. - St. Petersburg, FL L3Q

A.J. ROSS LOGISTICS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

ASSETS	May 31, 1992 (Unaudited)	August 31, 1991
CURRENT ASSETS:		
Cash	$2,137	$9,137
Accounts receivable, net of allowance for doubtful accounts of $2,168,811 and $500,000 at May 31, 1992 and August 31, 1991, respectively	4,301,630	7,671,504
Inventories	447,658	1,752,106
Assets held for sale	880,000	1,702,136
Prepaid expenses and other current assets	448,969	613,829
TOTAL CURRENT ASSETS	6,080,394	11,748,712
PROPERTY, PLANT & EQUIPMENT, NET	2,138,497	4,528,387
OTHER ASSETS:		
Receivables from officers	510,546	883,546
Notes receivable	200,000	800,000
Other	194,100	364,070
	$9,123,537	$18,324,715
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)		
CURRENT LIABILITIES:		
Loans payable – demand	$0	$3,613,520
Current portion of long – term debt	584,584	2,050,161
Accounts payable	6,419,677	6,116,199
Accrued liabilities	1,310,346	1,006,321
TOTAL CURRENT LIABILITIES	8,314,607	12,786,201
LONG TERM DEBT	4,440,329	26,362
DEFERRED GAIN	387,500	1,062,500
DEFERRED INCOME TAXES	0	4,513
	13,142,436	13,879,576
STOCKHOLDERS' EQUITY (DEFICIENCY)		
Common stock, $.001 par value:		
Authorized, 20,000,000 shares		
Issued, 13,193,778 shares at May 31, 1992 and 13,193,778 at August 31, 1991	13,193	13,193
Additional paid – in capital	4,954,404	4,954,404
Accumulated deficit	(8,981,496)	(517,458)
	(4,013,899)	4,450,139
Less treasury stock, 750 shares, at cost	5,000	5,000
	(4,018,899)	4,445,139
	$9,123,537	$18,324,715

See notes to consolidated financial statements

A.J. ROSS LOGISTICS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MAY 31,

	Unaudited	
	1992	1991
Revenues	$4,276,157	$8,487,148
Expenses:		
Operating	4,364,798	7,176,915
Selling, general and administrative	924,979	704,305
Provision for bad debt	3,320,980	325,000
Interest expense	175,923	184,235
Depreciation and amortization	150,754	238,500
	8,937,434	8,628,955
(Loss) from operations before other income (expenses)	(4,661,277)	(141,807)
Other income and expenses:		
Write down of assets	(2,602,121)	0
Restructuring costs	(170,757)	0
Loss on the sale of assets	0	(5,880)
	(2,772,877)	(5,880)
(Loss) before (benefit) from income taxes	(7,434,154)	(147,687)
Provision for (Benefit) from income taxes	52,250	(56,584)
(Loss) before extraordinary items	(7,486,404)	(91,103)
Extraordinary loss (net of income tax benefit)	0	99
	($7,486,404)	($91,202)
Net (loss) per share before extraordinary item	($0.57)	($0.01)
Net (loss) per share	($0.57)	($0.01)
Weighted average number of common shares and common equivalent shares	13,193,778	13,402,111

See notes to consolidated financial statements

A.J. ROSS LOGISTICS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED MAY 31,

	Unaudited	
	1992	1991
Revenues	$16,192,840	$21,974,386
Expenses:		
Operating	15,176,710	18,323,748
Selling, general and administrative	1,947,142	1,904,130
Provision for bad debt	3,545,635	475,000
Interest expense	549,073	681,902
Depreciation and amortization	452,262	749,040
	21,670,822	22,133,820
(Loss) from operations before other income (expenses)	(5,477,982)	(159,434)
Other income and expenses:		
Write down of assets	(2,602,121)	0
Restructuring costs	(338,918)	0
Gain on the sale of assets	2,719	1,694,120
	(2,938,319)	1,694,120
(Loss) income before (benefit from) provision for income taxes	(8,416,301)	1,534,686
Provision for income taxes	47,737	578,332
(Loss) income before extraordinary items	(8,464,038)	956,354
Extraordinary loss (net of income tax benefit)	0	111,001
	($8,464,038)	$845,353
Net (loss) income per share before extraordinary item	($0.64)	$0.07
Net (loss) income per share	($0.64)	$0.06
Weighted average number of common shares and common equivalent shares	13,193,778	13,402,111

See notes to consolidated financial statements

A.J. ROSS LOGISTICS, INC. AND SUBIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED MAY 31,

	Unaudited	
	1992	1991
Cash provided (used) by operating activities:		
Net (loss) income	($8,464,038)	$845,253
Adjustments to reconcile net (loss) income to cash provided (used) by operating activities:		
Depreciation and amortization	452,262	749,040
Gain on the sale of assets	(2,719)	(1,694,120)
Write down of assets	2,602,121	
Amortization of deferred gain	(675,000)	(512,500)
Deferred income taxes	(4,513)	511,147
Changes in:		
Accounts receivable	3,369,874	833,756
Inventories	444,635	130,762
Prepaid expenses and other current assets	189,460	(267,613)
Other assets	85,926	(154,692)
Accounts payable	303,478	(9,552,153)
Accrued liabilities	304,025	330,460
Total adjustments	7,069,548	(9,625,913)
Net cash (used in) operating activities	(1,394,490)	(8,780,660)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(25,235)	(423,566)
Proceeds from the sale of assets	1,704,855	15,880,708
Cash provided by investing activities	1,679,620	15,457,142
CASH FLOWS FROM FINANCING ACTIVITIES		
Receivables from Officers	373,000	5,958
Loans payable – demand	986,480	(872,997)
Long – term debt	(1,651,610)	(5,809,443)
Cash (used in) financing activities	(292,130)	(6,676,482)
INCREASE/(DECREASE) IN CASH	(7,000)	0
CASH, beginning of year	9,137	9,137
CASH, end of the period	$2,137	$9,137
a) Cash paid during the year for:		
Interest	$508,073	$630,684

See notes to consolidated financial statements

A.J. ROSS LOGISTICS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 1992
(Unaudited)

(1) INTERIM FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to quarterly reports on Form 10-Q. Accordingly, certain information and footnote data necessary for fair presentation of financial position and results of operations in conformity with generally accepted accounting principles have been condensed or omitted. It is therefore suggested that these financial statements be read in conjunction with the summary of significant accounting policies and notes to financial statements included in the Company's form 10-K for the fiscal year ended August 31, 1991. The results of operations for the three month and/or the nine month period are not necessarily indicative of the results for the full year.

The interim consolidated financial statements presented herein reflect all adjustments, (which include only normal recurring adjustments), which in the opinion of management, are necessary for a fair presentation of financial position and results of operations for the three months and nine month periods ended May 31, 1992 and May 31, 1991.

(2) LINE OF CREDIT

On June 12, 1992, the Company executed an agreement with The Bank of New York providing for the conversion of a presently outstanding revolving loan in the amount of $4,600,000 into a two year term loan of equal amount. Further, The Bank of New York has committed, through November 1992, on a revolving loan basis and upon certain conditions, make available an additional $425,000 to the Company. Additionally, the Company has negotiated a reduction in its interest rate from prime plus 4% to prime plus 1.5% as part of the financing.

(3) STOCK OPTIONS

The President of the Company, subject to Board of Directors' approval has been authorized to grant employee stock options for approximately 750,000 shares and non-qualified options for approximately 200,000 shares pursuant to the Company's incentive stock option plan (the "Plan"). None of these options have been exercised to date.

(4) ASSETS HELD FOR SALE

During the quarter ended May 31, 1992, as part of a restructuring program the Company offered for sale certain inventory and equipment not related to its rebar business. The Company wrote down such assets to $880,000 resulting in a charge to earnings of $1,942,677.

During the year ended August 31, 1991, the Company offered for sale various under- utilized construction related machinery and equipment. In October 1991, such assets were sold resulting in proceeds of $1,702,136 net of selling expenses of $146,805. Proceeds from the sale were used to retire long-term debt due to a bank and capitalized lease obligations. During the fourth quarter of fiscal 1991, the Company wrote down such assets to their net selling price, resulting in a pre-tax charge to earnings of $1,083,232.

A.J. ROSS LOGISTICS, INC. AND SUBSIDIARY
MANAGEMENT DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES:

On June 12, 1992, the Company executed an agreement with The Bank of New York providing for the conversion of a presently outstanding revolving loan in the amount of $4,600,000 into a two year term loan of equal amount. Further, The Bank of New York has committed, through November 1992, on a revolving loan basis and upon certain conditions, make available an additional $425,000 to the Company. Additionally, the Company has negotiated a reduction in its interest rate from prime plus 4% to prime plus 1.5% as part of the financing.

Commencing in February 1992, the Company implemented a restructuring program which included substantial reduction in personnel costs and discontinuation of all operations not directly related to the sale of rebar and divestiture of all assets connected therewith. Restructuring charges, including write down of assets, related directly to divesture approximated $2,941,000 through May 31, 1992.

With the restructuring, the Company will become solely a rebar fabricator. Historically, rebar fabrication has been its most consistent and profitable operation. Concentrating on rebar fabrication, the Company intends to capitalize on its dominant market share and superior service reputation in the New York and New Jersey markets. With the divestiture of its non-rebar operations, the Company will realize a significant reduction in its overhead cost structure which should lead to improving financial results and increasing market share.

Management believes that the implementation of the measures indicated above will contribute to profitability, further reduce interest bearing indebtedness, and eliminate the working capital deficiency. In addition, management believes that such measures will generate sufficient cash flows to meet its financial needs in fiscal 1992. There are no material capital spending requirements anticipated over the next twelve months.

RESULTS OF OPERATIONS: Quarter Ended May 31, 1992

Revenues decreased by 49.6% from $8,487,148 for the quarter ended May 31, 1991 to $4,276,157 for the quarter ended May 31, 1992. This is primarily due to the impact of the current softness in the economic climate especially realized by the construction industry.

Operating expenses as a percentage of revenues for the quarter ended May 31, 1992 increased from 84.6% in 1991 to 102.1% in 1992. This increase is primarily due to fixed operating expenses being spread over lower sales dollars and a decline in gross margins in the Company's operations, which is the result of increased competition for fewer projects.

Selling, general and administrative expenses for the quarter ended May 31, 1992, increased from $704,305 in 1991 to $924,979 in 1992. This increase is relatively insignificant.

During the quarter ended May 31, 1992, the Company incurred bad debts of approximately $3,321,000 substantially related to two of its major financial debtors which were beset with financial difficulties.

Restructuring charges, including the write down of assets, incurred for the quarter ended May 31, 1992 approximated $2,773,000 as compared to $0 in 1991.

Interest expense for the quarter ended May 31, 1992, decrease from $184,235 in 1991 to $175,923 in 1992. This decrease is relatively insignificant.

The loss before extraordinary items increased from $91,103 for the quarters ended May 31, 1991 to $7,486,404 for the quarter ended May 31, 1992. This loss is directly attributable to the increase in bad debts and restructuring charges, including the write down of assets. Current softness in the economy, fixed operating expenses being spread over lower sales dollars and a decline in gross margins in the Company's operations, has also contributed to such loss.

RESULTS OF OPERATIONS: Nine Months Ended May 31, 1992

Revenues decreased by 26.3% from $21,974,386 for the nine months ended May 31, 1991 to $16,192,840 for the nine months ended May 31, 1992. This is primarily due to the impact of the current softness in the economic climate especially realized by the construction industry.

Operating expenses as a percentage of revenues for the nine months ended May 31, 1992 increased from 83.4% in 1991 to 93.7% in 1992. This increase is primarily due to fixed operating expenses being spread over lower sales dollars and a decline in gross margins in the Company's operations, which is the result of increased competition for fewer projects.

Selling, general and administrative expenses for the nine months ended May 31, 1992, increased from $1,904,103 in 1991 to $1,947,142 in 1992. This increase is relatively insignificant.

During the nine months ended May 31, 1992, the Company incurred bad debt expenses of approximately $3,546,000 substantially related to two of its major financial debtors which were beset with financial difficulties.

Restructuring charges, including the write of assets, incurred through May 31, 1992 approximated $2,941,000 as compared to $0 in 1991.

Interest expense for the nine months ended May 31, 1992, decreased from $681,902 in 1991 to $549,073 in 1992. This reduction is primarily due to lower average loan balances, resulting from asset sales, and cash flows generated from reductions in accounts receivable and inventory.

The loss from operations increased from $159,434 for the nine months ended May 31, 1991 to $5,477,982 for the nine months ended May 31, 1992. This loss is a direct attributable to the increase in bad debts. Current softness in the economy, fixed operating expenses being spread over lower sales dollars and a decline in gross margins in the Company's operations, also contributed to such loss.

Net loss for the nine months ended May 31, 1992, was $8,464,038 as compared to net income of $845,353 for the nine months ended May 31, 1991. Net loss for the nine months ended May 31, 1992, was directly attributable to the increase in bad debts and restructuring charges, including the write down of assets. Current softness in the economy, fixed operating expenses being spread over lower sales dollars and a decline in gross margins in the Company's operations, also contributed to such loss. Net income for the nine months ended May 31, 1991 was primarily attributable to a pre-tax gain of $1,700,000 on the sale by the Company of its real property and buildings, offset by an extraordinary loss (net of income tax benefit) of $111,001 from the early extinguishment of debt.

Part II

Other Information

Item 1 - Legal Proceedings

None.

Item 2 - Changes in Securities

None.

Item 3 - Defaults Upon Senior Securities

None.

Item 4 - Submission of Matters to a Vote of Security Holders

None.

Item 5 - Other Information

Thomas Petrizzo tendered his resignation as President and Chief Operating Officer of the Company, effective June 1, 1992.

The Board of Directors appointed John E. Gray as Chief Operating Officer of the Company, effective June 1, 1992.

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

A.J. ROSS LOGISTICS, INC. AND SUBSIDIARY
(Registrant)

Dated July 13, 1992

By:s/n: John E. Gray
John E. Gray
Chief Operating Officer and
Chief Financial Officer